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PAGE 01 MANILA 13490 140727Z

12

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USIA-06 AID-05 COME-00 EB-04 FRB-01 XMB-02 OPIC-03

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 12/31/75

TAGS: EAID, EFIN

SUBJECT: ADB BUDGET FOR 1975

SUMMARY: PROPOSED 1975 ADMINISTRATIVE BUDGET OF \$17.33 MILLION REPRESENTS 19.9 PERCENT INCREASE OVER REVISED BUDGET ESTIMATE FOR 1974. INCREASES ARE BASICALLY ATTRIBUTABLE TO THREE MAIN ITEMS: (A) IMPACT OF SUBSTANTIAL SALARY AND BENEFITS INCREASES FOR BOTH PROFESSIONAL AND SUPPORTING STAFF APPROVED IN 1974 TOGETHER WITH PART YEAR EFFECT OF ADDITIONAL STAFF TO BE ACQUIRED IN 1975, (B) SIGNIFICANT INCREASE IN TRAVEL EXPENSES DUE TO EXPANDED BANK ACTIVITIES AND HIGHER AIR FARES, AND (C) INCREASED EXPENSES FOR DIRECTORS, REFLECTING SALARY INCREASE AND BOARD TURNOVER IN 1975. USADB NOTES THAT EFFICIENCY INDICATORS POINT TO FURTHER IMPORVEMENT IN 1975.

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PAGE 02 MANILA 13490 140727Z

HOWEVER, IMPLICATIONS OF PROJECTED OPERATING PROGRAM

REQUIRE CLOSE ANALYSIS. END SUMMARY.

1. ADB DOC. R107-74 ENTITLED "BUDGER FOR 1975",
POUCHED NOV. 11, SCHEDULED FOR BOARD CONSIDERATION
ON NOV. 28. (SINGLE COPIES AIRMAILED TREASURY AND
STATE/AID NOV. 8.) SEE ALSO IN94-74 ENTITLED "PROJECTED
FINANCIAL POSITION" POUCHED SAME DATE.

2. PROPOSED 1975 ADMINISTRATIVE BUDGET OF \$17.3
MILLION REPRESENTS INCREASE OF \$2.9 MILLION OR 19.9
PERCENT OVER REVISED 1974 BUDGET. BASED ON COST-
SHARING SCHEME, APPROXIMATELY \$10.3 MILLION IS EXPECTED
TO BE CHARGED TO ORDINARY CAPITAL RESOURCES WITH
REMAINDER OF \$7 MILLION TO BE BORNE BY SPECIAL
FUNDS RESOURCES. BUDGET ESTIMATES ARE BASED ON 1975
WORK PROGRAM CONSISTING OF (A) SUPERVISION OF 159
PROJECTS, (B) PREPARATION OF 87 LOAN AND T/A PROJECTS
FOR CONSIDERATION BY BOARD DURING 1975, (C) PREPARATORY
WORK NECESSARY ON PROJECTS SCHEDULED FOR BOARD
APPROVAL IN 1976, AND (D) SEVEN POST-EVALUATION STUDIES.

3. MORE THAN HALF OF 1975 BUDGET INCREASE OVER REVISED
1974 BUDGET IS ACCOUNTED FOR BY INCREASES IN SALARY
AND BENEFITS. INCREASE OF \$1.622 MILLION PROVIDES
FOR (A) FULL IMPACT OF SALARY INCREASES AUTHORIZED
IN 1974 (15 PERCENT FOR PROFESSIONAL STAFF AND 25
PERCENT FOR SUPPORTING STAFF EFFECTIVE FROM AUG. 1,
1974), (B) PART YEAR EFFECT OF ADDITIONAL STAFF TO BE
RECRUITED IN 1975, AND (C) INCREASED BENEFITS (BANK
CONTRIBUTION RATE WENT UP TO 15-1/3 PERCENT EFFECTIVE
MARCH 7, 1974) AND ASSUMED INCREASE IN BANK CONTRIBUTION
TO PROPOSED COST OF LIVING ADJUSTMENTS TO PENSION
(PROPOSED BANK SHARE TO BE 3-1/3 PERCENT).

4. IN ORDER TO CARRY OUT 1975 WORK PROGRAM, BANK
IS BUDGETING FOR RECRUITMENT OF 25 PROFESSIONAL AND
29 SUPPORTING STAFF, INCREASING TOTAL STAFF OF BANK
TO 711. NO INCREASE IN PROFESSIONAL STAFF IS CON-
TEMPLATED FOR OFFICE OF GENERAL COUNSEL AND OPERATIONS
DEPARTMENT. REFLECTING EFFECT OF MAY 1974 REORGANIZA-
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PAGE 03 MANILA 13490 140727Z

TION AND MANAGEMENT EMPHASIS ON LOAN ADMINISTRATION
FUNCTION, PROJECTS DEPARTMENTS I AND II ARE BEING
AUTHORIZED TO RECRUIT 22 ADDITIONAL PROFESSIONAL
PERSONNEL TO CARRY OUT EXPANDED AND MORE DIVERSIFIED
WORKLOAD. BULK OF SUPPORTING STAFF INCREASE IS
SCHEDULED FOR PROJECTS DEPARTMENTS TO ASSIST ADDITIONAL
PROFESSIONALS AND FOR TREASURY DEPARTMENT WHERE
VOLUME OF WORK HAS INCREASED IN AREAS OF DISBURSE-

MENT AND ACCOUNTING.

5. IN 1975, STAFF TRAVEL BUDGET PROVIDES FOR INCREASE OF \$500,000 OR 17 PERCENT OF BUDGET INCREASE. MAJOR PORTION OF INCREASE IS FOR BUSINESS TRAVEL EXPENSES WHICH HAVE GONE UP DUE TO EXPANDED BANK OPERATIONS AND INCREASE IN AIR FARES. REMAINDER OF TRAVEL INCREASE IS FOR APPOINTMENT TRAVEL FOR 39 PROFESSIONAL STAFF, CONSISTING OF 14 STAFF WHO WERE AUTHORIZED IN 1974 BUT NOT YET RECRUITED AND 25 ADDITIONAL STAFF AUTHORIZED FOR RECRUITMENT IN 1975.

6. THIRD MAJOR AREA OF INCREASE IS EXPENDITURE FOR BOARD OF DIRECTORS. INCREASE OF 12 PERCENT OVER REVISED 1974 BUDGET IS DUE PARTLY TO INCREASE IN SALARY AND BENEFITS, BUT MOSTLY BECAUSE OF ANTICIPATED LARGE TRAVEL EXPENSES REFLECTING FACT 1975 IS BOARD ELECTION YEAR RESULTING IN LARGE TURNOVER. ESTIMATE IS BASED ON ACTUAL EXPENSES INCREASED IN 1973 WHICH WAS ANOTHER ELECTION YEAR.

7. REMAINING INCREASE IN BUDGET IS ACCOUNTED FOR BY HOST OF SUNDRY ITEMS SUCH AS OFFICE OCCUPANCY, PUBLICATION AND PRINTING, EXPENDABLE SUPPLIES, ETC. ONE SIGNIFICANT ITEM IN THIS AREA IS \$70,000 INCREASE IN INFORMATION SERVICE. PROVISION IS TO PAY FOR CONTRACTUAL ARRANGEMENTS TO HANDLE MAILING OF BANK'S PRESS RELEASES FROM NEW YORK AND LONDON.

8. IN 1975 BUDGETING PROCESS, BANK HAS CONTINUED PRACTICE OF MAKING MULTI-YEAR OPERATIONAL PROJECTIONS ON THREE-YEAR BASIS, INDICATING DIRECTION OF BANK ACTIVITIES AND MAGNITUDE. 1975-1977 PROJECTIONS LIMITED OFFICIAL USE

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PAGE 04 MANILA 13490 140727Z

ARE BASED ON ASSUMPTIONS THAT BANK LENDING WILL CONTINUE TO RISE BUT AT DECREASING RATE. BY 1977, LENDING VOLUME IS SCHEDULED TO REACH \$900 MILLION COMPARED TO ESTIMATED \$550 MILLION IN 1974 AND \$700 MILLION IN 1975. TOTAL NUMBER OF PROFESSIONAL AND SUPPORTING STAFF IS ALSO DUE TO INCREASE OVER NEXT THREE YEARS ALTHOUGH AT DECREASING RATE.

9. THREE ITEMS -- SALARIES, BENEFITS AND TRAVEL -- ACCOUNT FOR CONSIDERABLE PART OF 1975 BUDGET INCREASE. AS INDICATED ABOVE, THESE REFLECT, IN PART, EFFECT OF AUGUST 1974 SALARY INCREASE AND HIGHER AIR FARES, OVER WHICH BANK MANAGEMENT HAS LIMITED CONTROL. MAIN CONTROLLABLE FACTOR IN 1975 BUDGET RELATES TO PROJECTED INCREASE IN ADDITIONAL STAFF, WHICH, IN

TURN, REFLECTS PROJECTED GROWTH IN LOAN ACTIVITIES. KTO SOME EXTENT, HOWEVER, IT SHOULD BE RECOGNIZED THAT LOAN ADMINISTRATION WORKLOAD INCREASES AS NUMBER OF LOANS TO BE ADMINISTERED GROWS.) MAJOR QUESTION RELATES TO PRINCIPAL BASIS ON WHICH 1975 BUDGET HAS BEEN FORMULATED, NAMELY, WHETHER BANK SHOULD CONTINUE TO PROJECT STEADY GROWTH IN VOLUME OF LENDING OPERATIONS. IMPLICATIONS OF PROJECTED OPERATING PROGRAM REQUIRE CLOSE ANALYSIS.

10. USADB NOTES THAT FURTHER IMPROVEMENT IS PROJECTED IN ALL EFFIEIENCY INDICATORS. (SEE TABLE 4 IN BUDGET DOCUMENT.)

11. U.S. DIRECTOR IS ARRIVING WASHINGTON THIS WEEK AND WILL BE PREPARED TO DISCUSS BUDGET PROPOSAL WITH APPROPRIATE OFFICIALS. USADB WOULD APPRECIATE WASHINGTON COMMENTS SOONEST TO PERMIT INITIATION OF DISCUSSIONS WITH BANK STAFF PRIOR TO NOV. 28 BOARD CONSIDERATIONM
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